

Democratic Northwest.

Revenue vs. Protection.

The cardinal error of the protective system is this: The interest of the manufacturers as producers is considered; the interest of the people as consumers is ignored.—*Professor Fawcett.*

SPEECH OF HON. FRANK H. HURD, IN THE HOUSE OF REPRESENTATIVES, FRIDAY, FEBRUARY 18, 1881.

The House being in Committee of the Whole on the state of the Union, and having under consideration the bill (H. R. No. 7899) making appropriations for the Agricultural Department of the Government for the fiscal year ending June 30, 1882, and for other purposes.

Mr. Hurd said: Mr. Chairman: In the last days of the late political canvass the supporters of one of the candidates for the Presidency sought votes for their favorite by charging that the election of the other candidate would involve a disturbance of the present tariff. The proposition assumed that the present tariff ought not to be disturbed. It is claimed that the triumph of the successful candidate was due to the introduction of the issue into the campaign, and means an approval of the present protective method of collecting duties. I do not so understand it. The issue was not discussed before the people. It was introduced prominently so late that there was not time to discuss it. Those who should have contended for tariff for revenue only laid down their banner without a struggle to defend it. The result, therefore, in my judgment, has not the slightest significance so far as this question is concerned.

But the effect of what was said has been to direct public inquiry to the subject. For years the advocates of tariff reform have endeavored to interest the people in the question, but other matters of more apparent pressing importance have occupied their attention. It was feared that what has been aptly termed a system or "reciprocal rapine" had interested so many that the people would be content with their burdens because they did not realize their weight. But how to make them realize it without discussion?—and of what avail was discussion when they would not listen?—were the questions. Fortunately the Protectionists have solved the problem. They proclaimed that protection should be come an issue in politics, and thereby invited the country to decide it. For one I accept the challenge they have offered; I pick up the gauntlet they have thrown down. Prudence it seems to me would have dictated to these supporters of monopoly the policy of silence; but they have rashly dragged their system into the light of day. It will not be long until its crudities will be made known, its extortions and robberies exposed, with the early result, I predict, of its complete overthrow.

In the remarks I shall submit to-day I expect to say nothing new, nothing which has not been much better said many times before. I have availed myself of whatever I have been able to find, whether in books or speeches upon the subject, not to proclaim a new doctrine, but to emphasize and illustrate an old one; one, too, approved in every national platform of the party of which I am a member, and to bring sharply and clearly as I can before the public mind the reasons which should induce the country to adopt it.

At the very threshold it is proper to define the terms I shall use and state the exact propositions I propose to maintain. A TARIFF IS A TAX UPON IMPORTED GOODS. Like other taxes which are levied, it should be imposed only to raise revenue for the Government. It is true that incidental protection to some industries will occur when the duty is placed upon articles which may enter into competition with those of domestic manufacture. I do not propose to discuss now how this incidental protection shall be distributed. This will be a subsequent consideration when the preliminary question has been settled as to what shall be the nature of the tariff itself. The present tariff imposes duties upon nearly four thousand articles, and was levied and defended upon the ground that American industries should be protected. Thus protection has been made the object; revenue the incident. Indeed in many cases the duty is so high that no revenue whatever is raised for the Government, and in nearly all so high that much less revenue is collected than might be realized. So true is this that if the present tariff were changed so as to make it thereby a revenue tariff, one-fifth at least could be added to the receipts of the Treasury from imports. Whenever I use the phrase free trade or free trader, I mean either a tariff for revenue only or one who advocates it.

So far as a tariff for revenue is concerned, I do not oppose it, even though it may contain some objectionable incidental protection. The necessities of the Government require large revenues, and it is not proposed to interfere with a tariff so long as it is levied to produce them; but to a tariff levied for protection in itself and for its own sake I do object. I therefore oppose the present tariff, and the whole doctrine by which it is attempted to be justified. I make war against all its protective features, and insist that the laws which contain them shall be amended so that out of the importations upon which the duty is levied the greatest possible revenue for the Government may be obtained. What, then, is

THE THEORY OF PROTECTION?

It is based upon the idea that foreign products imported into this country will enter into competition with domestic products and undersell them in the home market, thus crippling if not destroying

domestic production. To prevent this the price of the foreign goods in the home market is increased so as to keep them out of the country altogether or to place the foreigner at the cost of production upon the same footing as the American producer. This is proposed to be done by levying a duty upon the foreign importation. If it be so high that the importer cannot pay it and sell the goods at a profit, the facilities of production between this and other countries are said to be equalized, and the American producer is said to be protected. It will be seen, therefore, that protection means the increase of price. Without it the fabric has no foundation on which to rest. If the foreign goods are still imported, the importer adds the duty paid to the selling price. If he cannot import with profit, the American producer raises his price to a point always below that at which the foreign goods could be profitably brought into the country and controls the market. In either event there is an increase of price of the products sought to be protected. The bald proposition, therefore, is that American industries can and ought to be protected by increasing the price of the products of such industries.

There are three popular opinions industriously cultivated and strengthened by adroit advocates upon which the whole system rests, and to which appeals are ever confidently made. These opinions are erroneous, and lead to false conclusions, and should be first considered in every discussion of this question.

THE FIRST

is, that the balance of trade is in our favor when our exports exceed our imports. Upon this theory it is argued that it cannot be unwise to put restrictions upon importations, for it is said that at one and the same time you give protection to our industries and keep the balance of trade in our favor. But the slightest investigation will show that this proposition cannot be maintained. A single illustration, often repeated, but never old in this discussion, will demonstrate it. Let a ship set sail from Portland, Me., with a cargo of staves registered at the port of departure as worth \$5,000. They are carried to the West India Islands, where staves are in demand, and exchanged for sugar or molasses. The ship returns, and after duty paid the owner sells his sugar and molasses at a profit of \$5,000. Here more has been imported than exported. Upon this transaction the protectionist would say that the balance of trade was against us \$5,000; the free trader says that the sum represents the profit to the shipper upon his traffic, and the true balance in our favor. Suppose that after it has set sail the vessel with its cargo has been lost. In such case \$5,000 worth of goods would have been exported, with no importation against it. The exportation has exceeded the importation that sum. Is not the balance of trade, according to the protection theory, to that amount in our favor? Then let the protectionist turn pirate and scuttle and sink all the vessels laden with our exports, and soon the balance of trade in our favor will be large enough to satisfy even most advocates of the American protective system. [Laughter and applause.] The true theory is that in commerce the surplus of the importation above the exportation represents the profit accruing to the country. This surplus, deducting the expenses, is real wealth added to the land. Push the two theories to their last position, and the true one will be clearly seen. Export everything, import nothing, though the balance of trade may be said to be overwhelmingly in our favor, there is poverty, scarcity, death. Import everything, export nothing, we then will have in addition to our own all the wealth of the world in our possession.

THE SECOND.

It is said that a nation should be independent of foreign nations, lest in time of war it might find itself helpless or defenseless. Free trade, it is charged, makes a people dependent upon foreigners. But traffic is exchange. Foreign products do not come into a country unless domestic products go out. This dependence, therefore, is mutual. By trade with foreign nations, they are as dependent upon us as we upon them, and in the event of a disturbance of peace the nation with which we would be at war would lose just as much as we would lose, and both as to the war would in that regard stand upon terms of equality. It must not be forgotten that obstruction of trade between nations is one of the greatest occasions of war. It frequently gives rise to misunderstandings which result in serious conflicts. By removing these obstacles and making trade as free as possible, nations are brought closer together, the interests of their people become intermingled, business associations are formed between them, which go far to keep down national dispute, and prevent the wars in which the dependent nation is said to be so helpless. Japan and China have for centuries practiced the protective theory of independence of foreigners, and yet, in a war with other nations, they would be the most helpless people in the world. That nation is the most independent which knows most of and trades most with the world, and by such knowledge and trade is able to avail itself of the products of the skill, intellect and genius of all nations of the earth.

THE THIRD

erroneous impression sought to be made upon the public mind is that whatever increases the amount of labor in a country is a benefit to it. Protection, it is argued, will increase the amount of labor, and therefore will increase a country's prosperity. The error in this proposition lies in mistaking the true nature of labor. It regards it as the end, not as the means to an end. Men do not labor merely for

the sake of labor, but that out of its product they may derive support and comfort for themselves and those dependent upon them. The result therefore does not depend upon the amount of labor done, but upon the value of the product. That country therefore is the most prosperous which enables the labor to produce the greatest possible value for the product of his toil, not that which imposes the greatest labor upon him. If this were not the case, men were better off before the appliances of steam as a motive power were discovered, or railroads were built, or the telegraph was invented. The man who constructs a labor saving machine is a public enemy; and he would be public benefactor who would restore the good old times when the farmer never had a leisure day and the sun never set on the toil of the mechanic. No, Mr. Chairman, it is the desire of every laborer to get the maximum of result from the minimum of effort. That system therefore can be of no advantage to him which, while it gives him employment, robs him of its fruits. This it will be seen, protection does, while free trade, giving him unrestrained control of the product of his labor, enables him to get the fullest value for it in markets of his own selection.

The protectionist, relying upon the propositions I have thus hurriedly discussed, urges many specious reasons for his system, to a few of which only do I intend to call attention to-day.

1st. In the first place it is urged that protection will develop the resources of a country, which without it would remain undeveloped. Of course this to be of advantage to a country must be a general aggregate increase of development, for if it be an increase of some resources as a result of a diminution in others, the people as a whole can be no better off after protection than before. But the general resources cannot be increased by a tariff. There can only be such an increase by an addition to the disposable capital of the country to be applied to the development of resources. But legislation cannot make this. If it could it would only be necessary to enact laws indefinitely to increase capital indefinitely. But if any legislation could accomplish this, it would not be protective legislation. As already shown the theory of protection is to make prices higher in order to make business profitable. This necessarily increases the expense of production, which keeps foreign capital away because it can be employed in the protected industries more profitably elsewhere. The domestic capital therefore must be relied upon for the proposed development. As legislation cannot increase that capital, if it is tempted by the higher prices to the business protected it must be taken from some other business or investment. If there are more workers in factories there will be fewer artisans. If there are more workers in shops there will be fewer farmers. If there are more in the towns there will be fewer in the country. The only effect of protection, therefore, in this point of view, can be to take capital from some employment to put into another, so that the aggregate disposable capital cannot be increased, nor the aggregate development of the resources of the country be greater with a tariff than without.

2d. But, secondly, it is said that protection increases the number of industries, thereby diversifying labor and making a variety in the occupations of a people who otherwise might be confined to a single branch of employment. This argument proceeds upon the assumption that there would be no diversification of the labor without protection. In other words, it is assumed that but for protection our people would devote themselves to agriculture. This, however, is not true. Even if a community were purely agricultural, the necessities of the situation would make diversification of industry. There must be blacksmiths, and shoemakers, and millers, and merchants, and carpenters, and other artisans. To each one of these employments, as population increases, more and more will devote themselves, and with each year new demands will spring up, which will create new industries to supply them. I was born in the midst of a splendid farming country. The business of nine-tenths of the people in my native country was farming. My intelligent boyhood was spent there from 1850 to 1860, when there was no tariff for protection. There were thriving towns for the general trading. There were woolen mills and operatives. There were flouring mills and millers. There were iron foundries and their employees. There were artisans of every description. There were grocers and merchants, with every variety of goods and wares for sale; there were banks and bankers; there was all the diversification of industry that a thriving, industrious and intelligent community required; not established by protection nor by government aid, but growing naturally out of the wants and necessities of the people. Such a diversification is always healthful, because it is natural, and will continue so long as the people are industrious and thrifty. The diversification which protection had come to my native country to further diversify industries. It would have begun by giving higher prices to some industry already established, or profits greater than the average rate to some new industry which would have started. This would have disturbed the natural order. It would necessarily have embarrassed some interests to help the protected ones. The loss in the most favorable view would have been equal to the gain, and besides trade would inevitably have been annoyed by the obstruction of its natural channels. The worst feature of this kind of diversified industry is that the protected ones never willingly give up the Government aid. They scare

at competition as a child at a ghost. As soon as the markets seem against them, they rush to Congress for further help. They are never content with the protection they have; they are always eager for more. In this dependence upon the Government bounty the persons protected learn to distrust themselves; and protection therefore inevitably destroys that manly sturdy spirit of individuality and independence which should characterize the successful American business man.

3rd. It is said that protection gives increased employment to labor, and enhances the wages of workmen. For a long time no position was more strenuously insisted upon by the advocates of the protective system than that the wages of labor would be increased under it. At this point in the discussion I shall only undertake to show that it is impossible that protection should produce this result. What determines the amount of wages paid? Some maintain that it is the time that the labor is done. Under this theory it is claimed that at any given time there is a certain amount of capital to be applied to the payment of wages, as certain and fixed as though its amount had been determined in advance. Others maintain that the amount of wages is fixed by what the laborer makes, or, in other words, by the product of his work, and that, therefore, his wage is determined by the efficiency of the labor alone. Both these views are partly true. The wages of the laborer are undoubtedly determined by the efficiency of his work, but the aggregate amount paid for labor cannot exceed the amount properly chargeable to the wage fund without in a little time diminishing the profits of production and ultimately the quantity of labor employed. But whichever theory be true it is clear that protection can add nothing to the amount of wages. It cannot increase the amount of capital applicable to the payment of wages, unless it can be shown that the aggregate capital of a country can be increased by legislation; nor can it add to the efficiency of labor, that depends upon individual effort exclusively. A man who makes little in a day now may in a year make much more in the same time; his labor has become more efficient. Whether this shall be done depends upon the taste, temperament, application, aptitude, and skill of the individual. No one will pretend that protection can increase the aggregate of these qualities in the labor of the country. The result is that it is impossible for protection, either by adding to the wage fund or increasing the efficiency of labor, to enhance the wages of laboring men, a theory which I shall shortly show is incontrovertibly established by the facts.

OBJECTIONS TO PROTECTION.

I will now, Mr. Chairman, briefly present a few of the principal objections to a tariff for protection. As has been shown, the basis of protection is an increase in the price of the protected products. Who pays this increased price? I shall not stop now to consider the argument often urged, that it is paid by the foreign producer, because it can be easily shown to the contrary by every one's experience. I shall for this argument assume it as demonstrated that the increase in price which protection makes is paid by the consumer. This suggests

THE FIRST GREAT OBJECTION

to protection, that it compels the consumer to pay more for goods than they are really worth, ostensibly to help the business of a producer. Now, consumers constitute the vast majority of the people. The producers of protected articles are few in comparison with them. It is true that most men are both producers and consumers. But for the great majority there is little or no protection for what they produce, but large protection for what they consume. The tariff is principally levied upon woolen goods, lumber, furniture, stoves and other manufactured articles of iron, and upon sugar and salt. The necessities of life are weighted with the burden. It is out of the necessities of the people, therefore, that the money is realized to support the protective system. I say, Mr. Chairman, that it is beyond the sphere of true governmental power to tax one man to help the business of another. It is by power taking money from one to give to another. This is robbery, nothing more nor less. When a man earns a dollar, it is his own, and no power of reasoning can justify the legislative power in taking it from him except for the uses of the government.

Yet, Mr. Chairman, the present tariff takes hundreds of millions of dollars every year from the farmer, the laborer, and other consumers, under the claim of enriching the manufacturer. It may not be much for each one to contribute, yet in the aggregate it is an enormous sum. For many, too, it is a very much. The statistics will show that every head of a family who receives four hundred dollars a year in wages pays at least one hundred dollars on account of protection. Put such a tax on all incomes and the country would be in a ferment of excitement until it was removed. But it is upon the poor and lowly that the tax is placed, and their voices are not often heard in shaping the policies of tariff legislation. I repeat, the product of one's labor is his own. It is his highest right, subject only to the necessities of the Government, to do with it as he pleases. Protection invades, destroys that right. It ought to be destroyed, until every American freeman can spend his money where it will be of the most service to him.

TO ILLUSTRATE.

The cost of protection to the consumer, consider its operation in increasing the price of two or three of

the leading articles protected. Take paper, for example. The duty on that commodity is 20 per cent. *ad valorem*. Most of the articles which enter into a manufacture or are required in the process of making it are increased in price by protection. The result is that the price of paper to the consumer is increased nearly 15 per cent.; that is, if the tariff were taken off paper and the articles used in its manufacture, paper would be 15 per cent. cheaper to the buyer. The paper mills for five years have produced nearly one hundred millions of dollars worth of paper a year. The consumers have been compelled to pay fifteen millions a year to the manufacturer more than the paper could have been bought for without a tariff. In five years this has amounted to \$75,000,000, an immense sum paid to protection. It is a tax upon books and newspapers; it is a tax upon intelligence; it is a premium upon ignorance. So heavy had the burden of this tax become that every newspaper man in the district I have the honor to represent has appealed to Congress to take the duty off. The Government has derived little revenue from the paper duty. It has gone almost entirely to the manufacturer, who himself has not been benefited as anticipated, as will presently be seen. These burdens have been imposed to protect the paper manufacturer against the foreigner, in face of the confident prediction made by one of the most experienced paper men in the country, that if all protection were taken off paper and the material used in its manufacture the manufacturer would be able to successfully compete with the foreigner in nearly every desirable market in the world.

Take blankets also for example. The tariff on coarse blankets is nearly 100 per cent. *ad valorem*. They can be bought in most of the markets of the world for \$2 a pair. Yet our poor, who use the most of that grade of blankets, are compelled to pay about \$4 a pair. The Government derives little revenue from it, as the importation of these blankets for years has been trifling. This tax has been a heavy burden upon the poor during this severe winter, a tax running into the millions to support protection. Heaven save a country from a system which begrudges to the shivering poor the blankets to make them comfortable in the winter and the cold!

A SECOND OBJECTION.

Protection has diminished the income of the laborer from his wages. The first factor in the ascertainment of the value of wages is their purchasing power, or how much can be bought with them. If in one country the wages are \$5 a day and in another only \$1, if the laborer can in the one country with the \$1 purchase more of the necessary articles required in daily consumption, he in fact is better paid than the former in the other who gets \$5 a day. Admit for a moment that protection raises the wages of the laborer, if it also raises the price of nearly all the necessities of life, and what he makes in wages he more than loses in the increase of prices of what he is obliged to buy. As already stated, a head of a family who earns \$400 per year is compelled to pay \$100 more for what he needs, on account of protection. What difference to him is it whether the one \$100 are taken out of his wages before they are paid, or taken from him afterward in the increased price of articles he cannot get along without? In both cases he really only receives \$300 for his year's labor. The statistics show that the average increased cost of twelve articles most required in daily consumption in 1874 over 1860 was 92 per cent., while the average increase of the wages of eight artisans, including cabinet-makers, cooper, carpenters, painters, shoemakers, tailors, tanners and tinmiths was only 60 per cent., demonstrating that the purchasing power of labor had under protection in thirteen years depreciated 19 1/2 per cent. But protection has not even raised the nominal wages in most of the unprotected industries. I find that the wages of the farm hand, the day laborer, and the ordinary artisan are in most places now no higher than they were in 1860. But it is confidently asserted that the wages of laborers in the protected industries are higher because of protection. Admit it. I have not the figures for 1880, but in 1870 there were not 500,000 of them; but of the laborers in other industries there were 12,000,000, exclusive of those in agriculture, who were 6,000,000 more. Why should the wages of the half million be increased beyond their natural rate while those of the others remain unchanged? More: Why should the wages of the 18,000,000 be diminished that those of the half million should be increased? for an increase cannot be made in the wage rate of one class without a proportionate decrease in that of others.

But the wages of labor in protected industries are not permanently increased by protection. Another very important factor in ascertaining the value of wages is the continuance or the steadiness of the employment. Two dollars a day for half the year is no more than a dollar a day for the whole year. Employment in most protected industries is spasmodic. In the industries for the past ten years employment has not averaged more than three-fourths of time, and not at very high wages. Within the last year manufacturers of silk, carpets, nails, and many other articles of iron, of various kinds of glassware and furniture, the coal producers have shut down their works for a part of the time or reduced the hours of labor.

Protection has been too great. To stop this prevent the reduction of profits

through increasing competition, the first thing done is to diminish the production thus turning employes out of employment. Wages are diminished or stopped until times are flush again. With the time estimated in which the laborers are not at work, the average rate of wages for the ten years preceding 1880 under the revenue tariff. Indeed, in many branches the wages have not been so high as those received by the pauper laborer, so called in Europe. But it is manifest that the wages in these industries can not for any long period be higher than the average rate in the community, for if the wages be higher, labor will crowd into the employments thus favored until the rate is brought down to the general level. So true is this that it is admitted by many protectionists that wages are not higher in the protected industries than in others.

It should not be forgotten that since the adoption of free trade in England, wages are more than three times higher than they were under protection. In Germany, with protection, wages are lower than in England without. The statistics of this country show that in 1874, with an average duty of 45 per cent., labor was only 18 1/2 per cent. of the value of the manufactured goods, while in 1860, with a revenue tariff of only 19 per cent., the labor was 20 per cent. of the cost of manufacturing. In other words, with the tariff low, more labor in the proportion to the amount of goods manufactured was employed than with the tariff high.

A THIRD OBJECTION.

The effort of protection is disastrous to most of the protected industries themselves. We have seen that many of them have in recent years been compelled to diminish production. The cause of this is manifest. Production confines them to the American market. The high prices they are compelled to pay for protected materials which enter into the manufactures of their products disable them from going into foreign market. The profits which they make under the first impulse of protection invite others into the same business. As a result, therefore, more goods are made than the American market can consume. Prices go down to some extent through the competition, increased as we have seen, by the enhanced price of material required. The losses threatened by such competition are sought to be averted by the diminution of production. Combinations of those interested are formed to the stop work or reduce it until the stock on hand has been consumed. Production then begins again and continues until the same necessity calls again for the same remedy. But this remedy is arbitrary, capricious, and unsatisfactory. Some will not enter into the combination at all. Others will secretly violate the agreement from the beginning. Others still, when their surplus stock has been sold, and before the general price has risen, will begin to manufacture again. There is no power to enforce any bargain they have made, and they find the plan only imperfectly curing the difficulty. They remain uncertain what to do, embarrassed and doubtful as to the future. The have through protection violated the natural laws of supply and demand, and human regulations are powerless to relieve them from the penalty. Take

AS AN ILLUSTRATION

of the operation of the system, the article of paper. One of the first effects of the general tariff was to increase the price of nearly everything the manufacturer required to make the paper. Fifteen millions of dollars a year through the protection are taken from the consumer. The manufacturer himself is able to retain but a part of it, as he is obliged to pay to some other protected industry for its products, they in turn to some others who furnished them with protected articles for their use, and so on to the end. The result being nominal prices are raised all around; the consumers pay the fifteen millions, while nobody receives any substantial benefit, because what one makes in the increased price of his product he loses in the increased price he is obliged to pay for the required products of others. The consumer is the loser, and though competition may occasionally reduce prices for him to a reasonable rate, it never to any appreciable extent compensates him for the losses he sustains through the enhanced price which the protective system inevitably causes.

It is not to be disputed that many of the protected manufacturers have grown rich. In very many cases it can be demonstrated that their wealth has resulted from some patent which has given them a monopoly in particular branches of manufacturing, or from some other advantage which they have employed exclusively in their business. In such cases they would have prospered without protection as with it. I think there are few, except in the very inception of a manufacturing enterprise, or in abnormal cases growing out of war or destruction of property, or the combinations of large amounts of capital, where protection alone has enriched men. The result is the robbery of the consumer with no ultimate good to most of the protected industries.

At a meeting of the textile manufacturers in Philadelphia the other day, one of the leading men in that interest said: "The fact is that the textile manufacturers of Philadelphia, the center of the American trade, are fast approaching a crisis, and realize that something must be done, and that soon. Cotton and woolen mills are fast springing up over the South and West, and the prospects are that we will soon lose much of our trade in the coarse fabrics by reason of cheap competition. The only thing we can do, therefore, is to turn our attention to the higher plane, and endeavor to make goods equal to those imported. We cannot do this now, because we have not a sufficient supply either of the culture which breeds designs or of the skill which manipulates the fibers."

What a commentary this upon protection!

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